

Message Text

SECRET

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17
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S E C R E T SECTION 1 OF 2 CAIRO 4703

EXDIS

E.O. 11652: XGDS
TAGS: PBOR, MARR, EG
SUBJECT: IMPLEMENTING THE DECLARATION OF PRINCIPLES

1. SUBMITTED HERewith ARE SOME GENERAL AND PRELIMINARY THOUGHTS ON IMPLEMENTING THE JUNE 14 DECLARATION OF PRINCIPLES. SUBSEQUENT MESSAGES WILL ADVISE SPECIFIC VIEWS ON WORKING GROUPS AND PERSONNEL REQUIREMENTS.

2. INTRODUCTION - THE DECLARATION IS CLEARLY RECOGNIZED AS A MILESTONE IN OUR RELATIONS AND HAS AROUSED HIGH EXPECTATIONS -- FED IN LARGE MEASURE BY GOE MINISTERS -- OF A MASSIVE INFUSION OF US SUPPORT. PREDICTABLY, THE WORD IS OUT THAT AMERICANS SHOULD MOVE FAST TO IMPLEMENT THE VARIOUS ASPECTS OF THE DECLARATION, EVEN THOUGH FACT OF THE MATTER IS THAT THE EGYPTIANS ARE MORE CONCEPTIONALLY THAN PRACTICALLY PREPARED TO GO AHEAD ON THEIR PART. THUS, FOR EXAMPLE, WE HAVE OBTAINED, INFORMALLY, A LIST OF OVER 100 MAJOR PROJECTS COVERING ALL SECTORS OF THE EGYPTIAN ECONOMY WITH AN ESTIMATED COSTING IN THE AGGREGATE OF TENS OF BILLIONS OF DOLLARS. THERE ARE DOUBTLESS MORE. MOST STILL LACK THE MOST BASIC ECONOMIC FEASIBILITY OR ENGINEERING STUDIES AND REPRESENT LITTLE MORE INDIVIDUAL MINISTERS' "WISH LIST". SINCE PROJECTS GO FAR BEYOND AVAILABLE USG FINANCIAL RESOURCES, AND SINCE OTHER STATES (GERMANY, JAPAN, IRAN, UK, ETS.) HAVE INDICATED INTEREST IN ASSISTING EGYPT, SOME COORDINATION AMONG PROSPECTIVE DONORS IS CLEARLY NEEDED TO AVOID WASTE AND DUPLICATION.

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3. JOINT COMMISSION ON COOPERATION (JCC). JCC, AND ITS

SUPPORTING JOINT WORKING GROUPS, OFFERS USEFUL INSTRUMENTS TO MOBILIZE, PLAN AND MONITOR UNITED STATES ASSISTANCE. FACT OF ITS INAUGURATION BY THE TWO PRESIDENTS GIVES IT CONSIDERABLE LOCAL IMPACT. FOREIGN MINISTERS WILL CHAIR FUTURE MEETINGS WITH FINANCE MINISTERS AS DEPUTIES. WITHIN CONTEXT OF NON-INTERFERENCE IN EACH OTHER'S INTERNAL AFFAIRS, OUR OBJECTIVES IN JCC OUGHT TO BE FOLLOWING:

A. SEEK TO INSTALL SOME REALISTIC GOALS AND PLANNING INTO EGYPTIAN ECONOMIC THINKING;

B. ASSIST EGYPT IN HELPING ITSELF BY BETTER MANAGEMENT OF ITS RESOURCES;

C. IMPRESS ON EGYPTIANS THE NEED FOR SHARPLY DEFINED AND SPECIFIC ECONOMIC PRIORITIES, AND THE FACT THAT EVERYTHING CANNOT BE DONE AT ONCE;

D. EXPLORE WAYS AND MEANS OF MOBILIZING PUBLIC AND PRIVATE SECTORS IN US TO ASSIST IN THE PROCESS;

E. SEEK TO INFLUENCE GOE TO ESTABLISH CONDITIONS CONDUCTIVE TO PRIVATE INVESTMENT. (NEW INVESTMENT LEGISLATION IS NOT FULLY SATISFACTORY FOR THIS PURPOSE. MUCH WILL DEPEND THEREFORE UPON (A) HEGAZI'S PROMISED INTERPRETATION DOCUMENT RE VARIOUS OF ITS PROVISIONS AND (B) IMPLEMENTATION OF LAW AND ADMINISTRATIVE INTERPRETATION BY EGYPTIAN BUREAUCRACY.)

F. COORDINATE US EFFORTS WITH THOSE OF OTHER DONOR COUNTRIES TO AVOID DUPLICATION AND WASTE.

4. THE CHALLENGE: PROBLEMS WHICH WE WILL FACE IN THIS OVERALL ENDEAVOR MAY BE SUMMARIZED AS FOLLOWS:

A. POORLY ORGANIZED, MYOPIC, OFTEN SLUGGISH EGYPTIAN BUREAUCRACY

AND SHARP JURISDICTIONAL DISPUTES THEREIN;

B. INADEQUATE HIGH-LEVEL ATTENTION TO COORDINATING THE TOTAL
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EFFORT;

C. INFLATED EXPECTATIONS;

D. PAUCITY OF RELIABLE STATISTICAL DATA IN MANY CATEGORIES;

E. OUR INABILITY TO MONITOR CERTAIN PROGRAMS DIRECTLY BECAUSE OF CONTINUED TRAVEL RESTRICTIONS ON FOREIGNERS.

F. LIMITED RESOURCES.

5. FAHMY IS CURRENTLY TALKING ABOUT GOING TO THE UNITED STATES IN AUGUST, ACCOMPANIED BY OSMAN AND SOME UNSPECIFIED MINISTERS, FOR THE JCC MEETING. HIS THOUGHT IS THAT JOINT WORKING GROUPS (JWG) SHOULD BE ORGANIZED AT THAT TIME AND TASKED WITH PRODUCING SOME CONCRETE RESULTS IN TIME FOR ANNOUNCEMENT DURING PRESIDENT SADAT'S EXPECTED VISIT TO US LATER THIS YEAR. THE IDEA SEEMS SENSIBLE AND GIVES BOTH US AND EGYPTIANS ADDITIONAL TIME TO PREPARE.

6. IN SUCH JWG MEETINGS, WHENEVER THEY TAKE PLACE, WE MUST EXPECT THE EGYPTIANS TO GIVE US FORMALLY ALL OR SOME OF THEIR PROJECT LISTS. IN TURN, WE SHOULD SEEK TO HAVE PRIORITIES ASSIGNED TO PROJECTS AND EXPLORE WHICH OF THEM HAVE REACHED A POINT WHERE ECONOMIC FEASIBILITY AND/OR ENGINEERING STUDIES INDICATE THAT JCC OUGHT TO CONSIDER HOW THEY MIGHT EXPEDITIOUSLY BE IMPLEMENTED. WHERE NO SUCH STUDIES EXIST, WE SHOULD STRESS URGENT NEED TO HAVE THEM PREPARED. WE BELIEVE, HOWEVER, THAT PRINCIPLE SHOULD BE ESTABLISHED IN JWG THAT LATTER'S ENDORSEMENT IS PURELY AD REFERENDUM AND REPRESENTS NO REPEAT NO BINDING COMMITMENT ON THE PART OF EITHER GOVERNMENT TO SUPPORT THE PROJECT. GIVEN OUR LIMITED OFFICIAL USG RESOURCES, WE SHOULD INSIST UPON THE PRINCIPLE OF SELECTIVITY.

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7. WE RECOGNIZE THE DESIRABILITY OF BROAD U.S. REPRESENTATION ON THE JWG'S BOTH TO OBTAIN MAXIMUM COOPERATION FROM THE VARIOUS US ORGANIZATIONS INVOLVED AND TO FAMILIARIZE MORE

PEOPLE WITH EGYPTIAN REQUIREMENTS. AT THE SAME TIME, THE JWG'S SHOULD NOT BECOME SO LARGE AND UNWIELDY THAT THEY ARE UNABLE TO FUNCTION EFFECTIVELY. WE THEREFORE RECOMMEND THE ESTABLISHMENT OF A TWO-TIER GROUPING FOR EACH JWG ON THE US SIDE: A CORE GROUP CONSISTING OF A BOLSTERED EMBASSY STAFF, AND A SECOND GROUP BASED IN WASHINGTON AS A BACKSTOPPING AND ADVISORY TEAM.

8. IN CAIRO. THE CORE GROUP WOULD BE RESPONSIBLE FOR THE DAY-TO-DAY CONTACTS WITH THE EGYPTIANS, AND WOULD MONITOR THE EXCHANGES OF REQUIRED INFORMATION AND DATA. THE MATERIAL WOULD BE TRANSMITTED AS APPROPRIATE TO WASHINGTON FOR REVIEW, ANALYSIS AND CONSIDERATION BY THE WASHINGTON GROUP.

9. FOR PLANNING PURPOSES, I BELIEVE THAT THE PRESENT EMBASSY STAFF WOULD FORM THE BASIC CADRE FOR THE JWG'S. THE ADDITION OF A FEW TDY EXPERTS, SUCH AS AN OFFICER FROM A.I.D. AND A SCIENCE ADVISOR WOULD, WITH OUR OWN OFFICERS PLUS NAMRU, GIVE US A SPECILIST FOR EACH OF THE SIX JWG'S.

10. I INTEND TO CHAIR THE INTIIAL MEETINGS WITH THE GOE SIDE MYSELF, A FUNCTION TO BE SHARED WITH DCM MURPHY FOLLOWING HIS ARRIVAL, IN WHICH THE GENERAL OUTLINES OF THE PROGRAM CAN BE CONSIDERED. EACH JWG SHOULD HAVE AN OFFICER AS THE EXECUTIVE SECRETARY, WHO WILL BE RESPONSIBLE FOR MONITORING
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AND SUPPORTING THE DETAILED TECHNICAL-LEVEL WORK REQUIRED FOR ORGANIZING SUBSEQUENT MEETINGS. DURING THIS INITIAL PERIOD, I WILL ALSO BE ABLE TO DETERMINE IF ANY ALDITIONS TO THE PERMANENT STAFF ARE NEEDED, AND MAKE RECOMMENDATIONS ACCORDINGLY.

11. AT THE SAME TIME, IT WILL BE NECESSARY TO GALVANIZE THE EGYPTIAN BUREAUCRACY INTO ORGANIZING THEMSELVES SO THAT THERE IS AN EFFECTIVE COUNTERPART TO OUR HALF OF THE JWG, IN WHICH THE GOE CAN SPEAK WITHA SINGLE VOICE. THIS WILL CERTAINLY REQUIRE PATIENT PRODDING ON OR PART, AND SUCCESS IIBY NO MEANS ASSURED. WE WILL NEVERTHELESS MAKE EVERY EFFORT TO MOVE THE EGYPTIANS TOWARD AUTHORITATIVE BUT NOT EXCESSIVE REPRESENTATION.

12. THIS SHOULD BE DONE, BOTH HERE AND IN WASHINGTON, WITHOUT UNDULY RAISING THE ALREADY HIGH EGYPTIAN EXPECTATIONS. WE SHOULD BE POSITIVE, YET AVOID THE APPEARANCE OF FISHING FOR PROJECTS OR INVITING AN AVALANCHE OF SHOPPING LISTS. E SHOULD MAKE CLEAR THAT THE INTENT IS TO INSURE THAT OUR RESOURCES WHICH ARE NOT LIMITLESS SHOULD BE EFFECTIVELY EMPLOYED. WE SHOULD ALSO CAREFULLY EXPLAIN THAT WE ARE NOT INTERESTED IN OR WILLING TO COMPETE WITH OR REPLACE OTHER

DONORS, PRIVATE, GOVERNMENTAL OR MULTI-NATIONAL. WE WILL, HOWEVER, WANT TO BE INFORMED OF THE EFFORTS OF SUCH DONORS, AND WILL ALSO WANT TO COORDINATE OUR ACTIVITIES WITH THEIRS IN ORDER TO MAXIMIZE THE BENEFITS TO EGYPT.

13. IN WASHINGTON. I BELIEVE THAT IT IS IMPORTANT THAT THERE BE A SPECIFIC OFFICE, PREFERABLY A BEEFED-UP COUNTRY DIRECTORATE REPORTING TO THE ASSISTANT SECRETARY OR TO A DEPUTY SPECIALLY DESIGNATED FOR THIS PURPOSE, WHICH WILL BE TASKED WITH COORDINATING THE WASHINGTON EFFORT. PERHAPS BR SJC DIRECTIVE, ALL USG AGENCIES SHOULD BE ADVISED OF THE IMPORTANCE WHICH THE PRESIDENT ATTACHES TO THE SUCCESSFUL IMPLEMENTATION OF THE DECLARATION, AND ENJOINED TO GIVE FULL COOPERATION AS NEEDED.

14. THE WASHINGTON TIER OF THE JWGS MIGHT FUNCTION AS A REVIEW AND ADVISORY BODY WHOSE MEMBERSHIP WOULD DIFFER FOR EACH JWGS AND REFLECT THE INTERESTS AND RESPONSIBILITIES OF VARIOUS
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AGENCIES, BOTH WITHIN AND OUTSIDE THE GOVERNMENT. THE INDIVIDUALS DESIGNATED WOULD BE THE PRINCIPAL LIAISON BETWEEN THE JWGS AND THEIR SPECIFIC ORGANIZATIONS. THE COUNTRY DIRECTOR MENTIONED ABOVE MIGHT ALSO BE DESIGNATED AS THE EXECUTIVE SECRETARY TO THE JOINT COOPERATION COMMISSION, TO ASSURE THE FLOW OF NECESSARY DOCUMENTS FOR CONSIDERATION BY THAT BODY.

15. TO MAXIMIZE THE IMPACT AND UTILITY OF THE FUNDS APPROPRIATED BY CONGRESS, MAJOR EFFORT SHOULD BE EXERTED TO MOBILIZE OTHER RESOURCES WITHIN THE USG (EXPORT-IMPORT BANK, OPIC, ETC.) AS WELL AS FROM PRIVATE FOUNDATIONS, BANKS, VOLAGS, AND OTHERS. WE MUST ALSO ENDEAVOR TO INSURE THAT, WHERE POSSIBLE, THOSE PROJECTS WHICH ARE BANKABLE ARE HANDLED BY BANKS RATHER THAN THROUGH USG RESOURCES. HOWEVER, THERE IS A DECIDED EGYPTIAN RELUCTANCE TO PAY THE PRESENT HIGH COST OF MONEY.

16. CAREFUL CONSIDERATION SHOULD ALSO BE GIVEN TO THE CONCEPT OF MULTI-YEAR FUNDING FOR CERTAIN PROJECTS, E.G. NUCLEAR REACTION, WHICH CAN BE MORE EFFICIENTLY FUNDED ON A PHASED BASIS. THIS WOULD GIVE THE JWGS A BROADER SCOPE OF ACTIVITIES TO CONSIDER THAN WOULD BE POSSIBLE IF THEIR CONSIDERATION WERE LIMITED TO THE AMOUNTS IN HAND AT ANY ONE TIME. WHILE WE DO NOT INTEND TO COMPETE WITH, OR REPLACE, OTHER DONORS, WE NEED TO HAVE THE BROADEST POSSIBLE RANGE FOR THE DELIBERATIONS OF THE JWGS, INCLUDING CLOSE COORDINATION WITH THE EFFORTS OF OTHERS. THE JWGS FORMAT CAN PROVIDE AN EFFECTIVE VEHICLE FOR KEEPING ABREAST OF OTHER DONOR ACTIVITY.

17. SEPARATE MESSAGE ON VARIOUS ASPECTS OF THE OVERALL PROGRAM WILL FOLLOW. IN PARTICULAR, I WISH TO ADDRESS

THE SUBJECT OF PERSONNEL STAFFING AND SUPPORT.

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